A MARKETING PUBLICATION OF LIPPINCOTT & MARGULIES / NUMBER 32

DESIGN SENSE®

NEW PRODUCTS: BOON OR BURDEN?

FOR INCREASED SALES:
THINK CONCENTRATED !

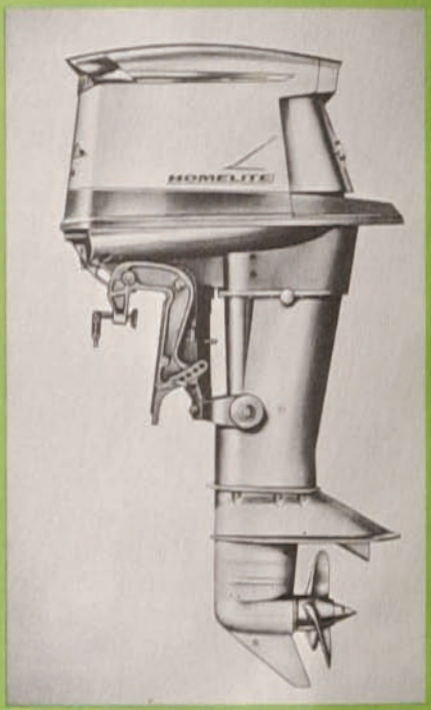
WHO PUT THE BUBBLE IN SPRITE ?

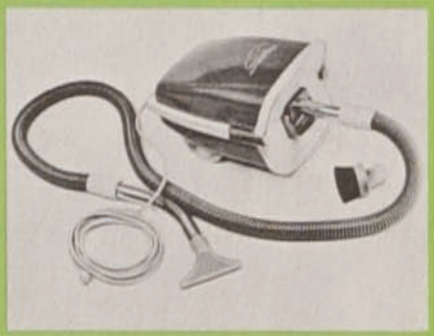
NEW PRODUCT

NEW PRODUCT

NEW PRODUCT

NEW PRODUCT





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HOW NEW PRODUCTS GO TO MARKET 3

The rate of new product introduction will continue to grow during the Sixties. Must the costs and risks increase too? L&M points the way to a marketing system that cuts costly risks

THINK CONCENTRATED 7

Do you know how to concentrate upon your most profitable market? Here is a guide to more efficient marketing and communications

WHY SPRITE HIT IT BIG 9

When Coca-Cola and L&M teamed up to develop Sprite a new soft drink for the competitive soda market, was born

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How many new products will your company introduce during this decade? And how much will this new product program cost you?

You may not know the answer to the first question, but we can give you a fair estimate for the second: Plenty! In most companies, new product development is one of the costliest marketing activities.

And yet, many companies today feel that they cannot grow, nor even keep pace with their competitors, unless they do develop new products and product lines for the ever-changing marketplace.

Because we are aware of the dilemma companies face through this need to invest in such a high-risk activity, we have devoted a long time to the development of a marketing system that would take the maximum risk out of new product development without impairing the efficiency of the process.

We don't believe that there is a perfect system or a formula. We do know, however, from our own experience working with a variety of companies on the introduction of a broad range of products, that there are some basic checks and some important safeguards that can be applied to avoid failures at various stages of a new product program.

HOW TO SEND NEW PRODUCTS TO MARKET

Most companies in American industry realize that a continuing program of new product development is essential to corporate survival today.

A recent investigation by Lippincott & Margulies among a sampling of leaders from *Fortune's* Directory of the largest 500 U.S. industrial corporations documented this fact of business.

"In today's fast-growing economy, new products are needed for mere survival and especially for increase in over-all return from corporate activities," says an executive of the Royal McBee Corporation. "Authorities now suggest that the life of a product is as short as five years, forcing an accelerated new product development program."

"New product development is the life blood of any food or organic chemical processor," says a vice president of General Mills. "Long-term growth is impossible without innovation."

A financial officer of the Sun Oil Company puts it more strongly still: "In our company, as in any company, continued growth is dependent on new product development. Improvement of existing products may be sufficient to maintain position for a while, but any significant growth over and above that related to the general economy requires new products to aid in capturing larger markets, or to diversify into new product areas."

"In chemicals, this (new product development) is life insurance," says a vice president of the Stauffer Chemical Company. "We would stagnate and go downhill without new products."

Indeed, fully one-third of the companies covered in the L&M investigation derived more than 20% of their 1962 sales from new products internally developed since 1958.

Most of the companies L&M polled anticipate introducing eight or more new products between 1963 and 1965, and nine out of 10 companies expect to introduce eight or more new products between 1966 and 1970. Most of the other companies predicted four to seven new products during these periods.

But a note of caution was sounded by a marketing executive from one leading chemical complex: "It has become standard procedure to romanticize the importance of new products to corporate well being. Without any doubt, new products can usually provide a much higher net realization than old products. At the same time, research and development costs are so huge that the 'R&D gamble' is getting tougher all the time. We cannot say that new products have been a bonanza for us."

Where then is the truth about new product introduction?

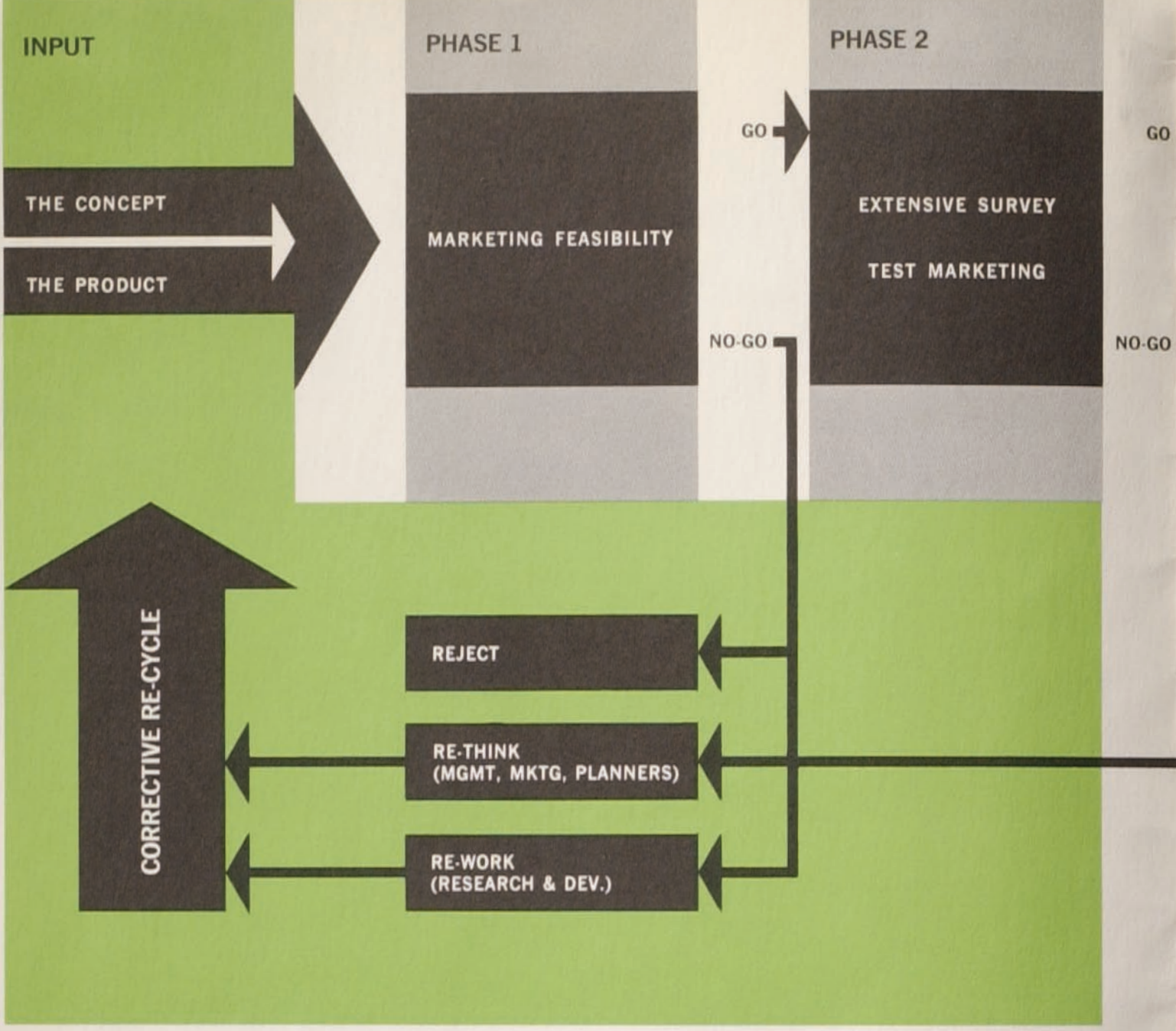
Is it a risky necessity or an unmixed blessing? How can a corporation turn its new product development program from a necessary evil into a scientific and businesslike approach?

Of course, new product development and introduction is a risky and costly business, but the chances of failure can be reduced to a minimum through proper planning, organization and communications. These are the three basic ingredients of any successful new product program.

While it is difficult to generalize about new products, there are 10 basic questions that should be answered before plunging into a costly new consumer product development project:

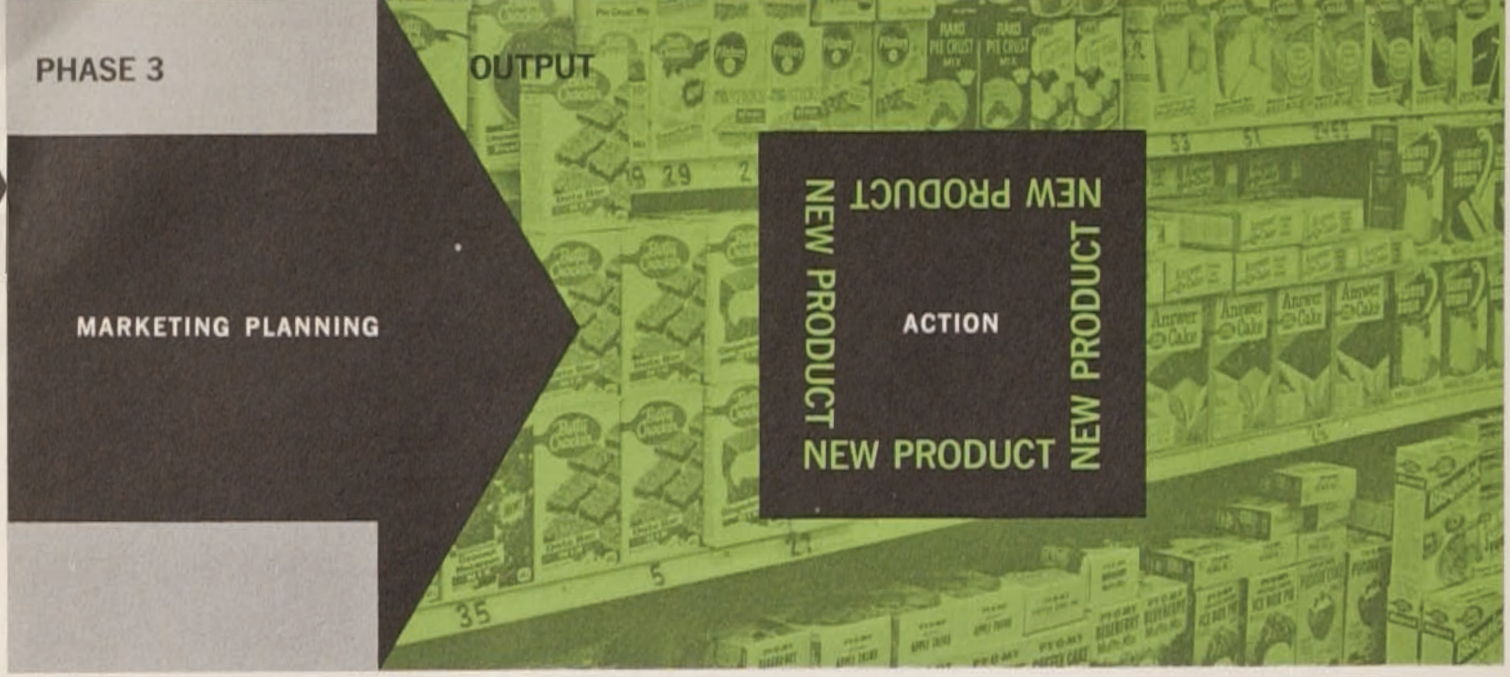
1. Is the product acceptable at the consumer level?
2. Is the product acceptable at the retail or distribution or processing level? In other words, does it allow for proper handling, storage, profit, turnover?
3. What is the stage in the life cycle of this product's industry? Is it in a growth period or declining? What is its future?
4. What is the actual and/or potential volume for the product?
5. What is its competition, actual and eventual?
6. Can the product be protected by patent and to what extent and for what length of time, as a gauge of its eventual competition?
7. What are the engineering and tooling costs?
8. What are the anticipated marketing costs; is the parent company experienced in marketing such product or able to underwrite the costs of building a new marketing organization?
9. What is the ratio of fixed costs to variable costs in production, and how will volume production affect profits?
10. How much money is needed as investment and as working capital?

These ten questions are basic. Although they cannot be answered simultaneously or in one stage, they should be answered as early in the development program as possible. Their consideration right at the concept stage is likely to promote disciplined and systematic thinking within the new product management team.



THE PHASES OF A MARKET DEVELOPMENT PROGRAM

The risks of new product development can be reduced through the application of systematic planning. In that manner, the product is put through some testing or reevaluation at the end of each phase of its development, before each major decision to move to the next phase and to commit any additional investments



An effective new product program also needs a systematic schedule which offers management a number of opportunities during the development program to reject, reevaluate or rework the new product, and thus to avoid costly failure later.

The three phases, following the full development of the product concept, are:

1. *a marketing feasibility study* which weighs initial product acceptance and initial marketing potential;
2. *test marketing;*
3. *marketing planning*, including delineation of objectives, strategy, timing and coordination.

Of course, at each of these stages, management has the opportunity to rethink the product, or reject it, or to modify it to conform to newly gained information or new criteria.

Such a new product development and evaluation program can indicate basic stumbling blocks early enough to put a halt to the project before too much money is spent. It also can indicate that further investment may be justified.

L&M found that most companies attribute their new product failures to these basic stumbling blocks:

• *Distribution snarls* — The setting up of efficient distribution channels becomes a major challenge for management, especially when the new product requires a distribution pattern that differs from the established line.

In the food industry, as an example, the distribution is further intensified by the crushing competition of sheer numbers of products. In a 16-month study conducted by L&M, approximately 3,700 items were removed from the shelves of eight supermarket chains because these items had a poor sales performance.

This becomes more significant with the realization that today 90% of all supermarkets have "buying committees," composed of skilled buyers and marketing executives. It is their job to evaluate new products in an objective and systematic fashion.

The buying committees of the eight chains, according to the study, rejected 69% of all new products presented to them and only 26% were accepted unconditionally.

• *Breakdown in consumer communications* — The product fulfilled a real consumer need when it was in the concept stage. But during the months or years of its development and production, management lost touch with the consumer. When the product finally hit the market, it was obsolete.

This problem, unfortunately, plagues some of the best-staffed companies with complex R&D organizations. The most frequent internal breakdown of communications seems to occur between the laboratories and market and consumer research.

How can market planning prevent this breakdown in communications?

It recognizes that product development tends to be a progressive activity, and moves from idea to design to marketing in sequential stages. The program is structured to provide intelligence and direction for management decisions at the key stages.

In brief, the L&M's new product evaluation program is designed to provide factual bases for answering such questions as:

• Is the product really new? What are its physical and use characteristics?

• What is the range of product uses and in what markets?

• What are the estimated costs associated with its development, manufacture and marketing?

• What potential advantages or disadvantages does it offer to consumers?

• At what stages in the development of this new product should consumer reactions be explored, and how should they be evaluated?

• Assuming consumer acceptance, what is the market potential for the product, and who are its consumers?

• How and through what channels of distribution can they be best reached?

• *Inadequate product* — The concept was great, but management pushed the deadlines so hard that the new product was on the shelf before all the bugs were ironed out. Result: Some of our most reputable food giants have received black eyes in the recent past by rushing to market with products that did not measure up to the excellence of their established lines.

Adequate use testing should be a basic component of any new product evaluation program. It will minimize the risks of exposing an unready product, since playback from the consumer tests will point out shortcomings.

• *Poor presentation* — The package may not be everything, but if you put Jayne Mansfield in a Mother Hubbard, dye her hair mousy brown and let it hide her face, what have you got? The way a new product is presented to the consumer — its name, packaging, color, format, shape and size — can certainly spell the difference between success and failure.

Once a product idea has passed the preliminary marketing feasibility screen, it is ready for more detailed probing into consumer acceptance, product design, packaging, promotional efforts and all of the other marketing factors that will influence the sales and profit performance of the new product candidate.

Up to that time, there may have been no direct research among consumers and distributors, although the feasibility studies suggested research of this kind. Such research, of course, may appear to be costly, but it comes into proper perspective when the cost of this research is weighed against the costs of market failure.

These are the stages of consumer and marketing research we recently recommended to a food manufacturer:

Exploratory concept research studies, based on small-sample consumer and distributor interviews, to obtain a general reaction to the concept of the product, especially if prototypes of the product or illustrations can be shown. At this stage, the manufacturer would uncover strong likes and dislikes as well as gain basic guidelines about product use, packaging, pricing and improvement. These preliminary studies indicate in what areas full-scale research may be called for.

Competitive product analysis to provide the current marketing picture necessary for the development of a market strategy.

Large-scale product tests, once a prototype has been developed, to provide the following:

Consumer acceptance for a range of product characteristics from size and shape, to color, texture and flavor.

Feedback information for final product design determination.

Levels of purchase interest among consumer groups and market segments.

Estimated methods and frequency of use by use-situations, such as home versus outside-home, institutional, etc.

Characteristics of consumers by level of purchase interest.

Communications research to position the product in terms of its marketing platform. Because communications costs are so high and since effective communications are so vital to successful marketing, this research plays an important role in new product development.

This research is based on the fact that consumers tend to react favorably to and remember those ideas that consistently coincide with their personal patterns of expectation and taste. This includes product characteristics, color and design preferences. This is particularly true of new products without previous history in the marketplace.

Communications research uses various psychological tests and interviewing techniques for uncovering consumer reactions and attitudes toward: (a) proposed package designs; (b) brand names and symbols; (c) promotional and advertising formats and themes; (d) corporate marks and product associations.

It is at this point that the new product becomes ready for market planning and test marketing.

By application of system, research and organized communications, new product evaluation and market planning can reduce the risk of new product failure. It is, after all, a carefully structured "No Go" or "Go" system that spends the small expenditures first before becoming irrevocably committed to the product. The result:

Reduces the possibility of making costly mistakes in product design and marketing strategy as early in the process as possible.

Provides management with the necessary marketing intelligence to make objective decisions concerning new products at each key stage of their development and consequently, to avoid continued spending on products that have no real potentials.

Provides a logical framework within which the step-by-step product development and marketing activities can be evaluated.

Provides management with data necessary to plan marketing strategy, evaluate performance and institute corrective actions, moving towards desired goals of sales and profitability. ■

25% of beer drinkers consume 75% of all the beer

45% of toothpaste users consume 90% of all the toothpaste

15% of cake mix users use 55% of all cake mix

20% of phonograph record buyers buy 80% of all records.

It becomes apparent, therefore, that the marketer, to be successful, must first find out what it is that motivates, influences and activates the volume buyer. And, indeed, all aspects of marketing and communications should be evaluated in terms of the heavy users, from distribution, pricing and merchandising, to packaging, advertising and promotion.

Yet, the original Piel commercials, although humorous and well-executed, seemed to appeal more to the "martini drinkers," — those who have a definite image of themselves as "not beer drinkers," — rather than to the regular and loyal beer drinkers. By contrast, another beer pointedly switched its copy to appeal outright to those who drink more than one casual beer, and found that this theme not only reached the heavy beer drinkers, but had salutory results with the light or occasional peripheral consumers as well.

L & M research has shown time and again that a manufacturer can alienate the most profitable segment of his market — the heavy users — by addressing himself to the light users with the mistaken belief that he is talking to the "mass market." He does not realize that he will appeal to the light users as well when he addresses the heavy.

Consumer research can indicate very rapidly what the use patterns for your brand are, and what set of characteristics differentiate the heavy user of your brand from the light user. Further, research also will show you what motivates and influences this heavy user, and will provide criteria for marketing and communications decisions.

In brief, where your communications (advertising, packaging, merchandising, pricing) are concerned, think in terms of the motivations of and appeals to the heavy users, and use them as the sounding board for evaluating candidate solutions to communications and marketing problems. You will find the reward not only in influencing the high-user group with their large purchases, but also in the discovery that this group can often influence the entire "mass market." ■

MARKETING GUIDES SPRITE TO SUCCESS

Can a soft drink giant from Atlanta find happiness (and profit) by launching a new product in the fastest-growing area of the carbonated beverage business?

That's the way the old radio soap opera might have told the story of The Coca-Cola Company's branching into the lemon-lime field in 1961, when the firm began to introduce its new product *Sprite* nationally on a market-by-market basis.

Today Sprite is handled by Coca-Cola bottlers and is available to 50 per cent of the population in some 43 states. Because of its continuous sales increases, the ad budget for Sprite, via McCann-Marschalk, has doubled each year since its introduction in 1961. And, says Fred W. Dickson, newly elected vice president of the Coca-Cola Company, president of the Fanta Beverage Company, the division of The Coca-Cola Company which launched Sprite, the product is "expected to make a modest contribution to (The Coca-Cola Company) profits in 1963."

What is the moral behind this new product success story? Can other major consumer goods companies achieve an equally brief pay-out period when they launch a new product? And what is The Coca-Cola Company's formula for taking risk out of the business of new product development?

"The best way to hedge such an expensive bet — and that's what the introduction of any new product represents — is to put up against this challenge the best marketing talent you can get from inside and outside your company," says Fred Dickson.

In keeping with this philosophy, The Coca-Cola Company had assigned a marketing team to keep watch on developments in the lemon-lime field for a couple of years prior to working up a set of product specifications. Then late in 1959, The Coca-Cola Company brought its new product challenge to Lippincott & Margulies.

The assignment for L&M was to bring the new carbonated lemon-lime beverage to the point of consumer acceptance by developing and implementing a marketing platform for it.

According to L&M, the total product development program would consist of the answers to these four basic questions:

1. What is the market for this product?
2. What is the optimum image to be communicated to the market?
3. What tradename will best convey this image?
4. What type of package design will best convey this image?

At the time that L&M took on this assignment, the lemon-lime field was the fastest growing segment of the entire soft drink business. Today it accounts for 18% of the total market as compared with 10% a decade ago. Also it was dominated by Seven-Up which had entered the business in the Twenties and which, by the late Fifties, accounted for about three-fourths of that market.

However, the field looked equally enticing to other soft drink manufacturers, and in the late Fifties there was a sudden rash of contenders including Pepsi-Cola with its new *Teem*, not to mention many large bottlers who were toying with their own brands.

The problem therefore, was to bring the respected soft drink leader into a slightly jammed field at the best level. To determine the ideal spot, extensive motivational and consumer research projects were launched to help guide ideas for the product, degree of carbonation, market appeal, color, trademark, packaging and bottle.

The research findings showed there were roughly four broad categories of soft drinks. The sweet, highly colored and flavored drinks with low carbonation brought out such consumer reactions as "childish," "self-indulgent," and "low-class." By contrast, ginger ales and other very carbonated and low-flavored mixers registered as "sophisticated," "mature" and "expensive." The so-called colas were somewhat higher on the scale as "healthy," "modern," "light," and "adult" beverages, but still scored well below the mixers and ginger ales.

WHERE WOULD SPRITE FIT INTO THE TOTAL SOFT DRINK MARKET? This is the question that L&M set out to answer in its research of the soft drink business, consumer reaction to carbonated beverages, and possible areas of consumer need. From this research came the positioning statement that guided the Sprite program

Fred W. Dickson, then president of Fanta Beverage Company, now vice president of the Coca-Cola Company, supervised the Sprite program

However, in the middle of the register is the lemon-lime field. Within the lemon-lime field, Seven-Up, because of its early start in this business had established a taste range preference. L&M recommended to The Coca-Cola Company that it emphasize the tartness and high carbonation, which research showed to appeal to the middle- and high-income adult market.

The next project, after the positioning of the product, was the search for a trademark. A number of name candidates with the appropriate appeal was developed, but it was unusually difficult to find one which was legally available. It seemed that there were a lot of local or regional soft drink businesses, making it nearly impossible to find and clear a new original name, and one can usually also anticipate future problems in protecting such a name.

Therefore, after an exhaustive search, it was recommended that the company use a name which it already owned — Sprite — for the new soft drink. During its consumer testing of various name candidates, Sprite was used as a control mark, and it had scored high on such scales as lemon-lime flavor association. Therefore, the use of the name had intrinsic marketing pluses as well as the very practical advantage of clearance. This name decision in Spring 1960 was followed by an intensive bottle, logotype and package design program.

To guide this design program, L&M's consumer research helped develop the following marketing and communications platform:

Sprite should communicate (1) adult consumption, and (2) dual usage, as a soft drink and a mixer. Other qualities which research indicated would be advantageous to communicate were:

- high quality
- natural flavor
- high carbonation
- good value
- refreshing and thirst-quenching qualities
- tart rather than sweet flavor
- coldness and modernity

What type of packaging, physical and graphic, would best convey this image? There are, of course, four aspects of packaging to be considered: size, shape, color and graphics.

L&M combined a larger size bottle, to get Sprite out of direct Seven-Up competition, with a sophisticated, memorable and unusual shape: an urn-shaped bottle. Furthermore, the L&M design team incorporated a regular bubble pattern into the deep green of the bottle to emphasize in a stylized manner the high carbonation of the drink. Research of the design showed that an irregular bubble pattern on the bottle tended to have child-appeal, while the same effervescence could be implied through the regular bubble pattern at the adult level.

All L&M designs for the Sprite packaging had to meet the production and engineering requirements of the Coca-Cola engineering departments to avoid additional production cost or problems

NEW PRODUCT ACTION NEW PRODUCT NEW PRODUCT

The Sprite logotype was to be put on the bottle in ACL — Applied Color Labels. This ACL was designed for strength and impact because of the importance of cold bottle sales as compared with carton sales only. The colors chosen were Emerald Green bottles, with white, blue and lettuce green for the ACL for dramatic stand-out qualities.

Sprite was introduced early in 1961 with a lively advertising campaign developed by its agency, McCann-Marschalk, with a budget nearly entirely in spot TV. During the first week of its major market introduction in the Houston area in March 1961, 2,000 outlets were opened. And during the first five months in this initial market, the Houston bottler sold 70% of his estimated first year volume.

This is the pattern of sales growth that has been typical for Sprite in all the markets where it is being sold today. And the "bright green bottle with the bubbles," in the seven-, 10-, 12-, 16- and 28-ounce sizes, is proof that a good new product can succeed in today's competitive marketplace, if it has been developed and marketed along the best standards of new product development. ■

LIPPINCOTT & MARGULIES INDUSTRIAL DESIGNERS & MARKETING CONSULTANTS

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Centripetal Marketing

Why Ohio Oil Became Marathon

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